

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SC HEALTHCARE HOLDING, LLC, *et al.*,¹
Debtors.

Chapter 11

Case No. 24-10443 (TMH)

Jointly Administered

Ref. Docket Nos. 1410 & 1629

NEW OPERATORS' RESPONSE TO DEBTORS' PLAN AND MOTION TO CONVERT

The New Operators identified in Exhibit A (collectively and individually, the “New Operators”) hereby respond (the “Response”) to (i) the *Debtors' Combined Disclosure Statement and Chapter 11 Plan of Liquidation* [Docket No. 1410] (the “Plan”); and (ii) the *Debtors' Motion for Entry of an Order (I) Converting the Debtors' Chapter 11 Cases to Cases Under Chapter 7, (II) Establishing a Deadline for Filing Final Chapter 11 Fee Applications, and (III) Granting Related Relief* [Docket No. 1629] (the “Motion to Convert”), as follows:

INTRODUCTION

1. As the Court is aware, during the course of these jointly administered bankruptcy proceedings, the Debtors sold their various facilities and transferred operations to third parties. The New Operators are certain of the entities that have taken over operation of the Debtors' facilities. The relevant facilities are identified in Exhibit A.

2. As part of the sale process—and as is common in transactions for skilled nursing facilities—the Debtors continue to receive deposits of the New Operators' accounts receivable

¹ The last four digits of SC Healthcare Holding, LLC's tax identification number are 2584. The mailing address for SC Healthcare Holding, LLC is c/o Petersen Health Care Management, LLC, PO Box 620, Delavan, IL 61734. Due to the large number of Debtors in the Chapter 11 Cases, whose cases are being jointly administered, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information is available on a website of the Debtors' Claims and Noticing Agent at www.kccllc.net/Petersen.



until all licensing and governmental billing authorizations are completed (e.g., Medicare “tie-ins”). All such accounts receivable—which were generated on account of services provided by the New Operators—are subject to a trust in favor of the New Operators. Unfortunately, the Debtors have failed to remit all such receivables to the New Operators in accordance with the parties’ agreements as approved by this Court.

3. Furthermore, the Debtors established an escrow account at closing to ensure that there would be adequate funds to satisfy governmental fines and penalties against the Debtors. This escrow account funding was necessary to ensure that the government does not withhold payments to the New Operators because of the Debtors’ liabilities for civil monetary penalties and other governmental liabilities. The Debtors seek a release of the escrowed funds from the escrow account even though all fines and penalties against the Debtors have not been satisfied. The New Operators insist that all funds remain in the escrow account, per the terms of the governing escrow agreement, until all fines and penalties are known and satisfied.

4. Accordingly, the New Operators submit this Response to preserve all their rights in the event the Court either confirms the Plan or grants the Motion to Convert.

BACKGROUND

A. *The Portfolio Sale*

5. On July 11, 2024, the Court entered its *Order (I) Approving Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors’ Acquired Assets Free and Clear of All Liens, Claims, Interests, and Encumbrances Other than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* [Docket No. 653] (the “Portfolio Sale Order”).

6. Attached as Exhibit A to the Portfolio Sale Order was that certain asset purchase agreement, dated as of June 26, 2024, by and among the entities set forth therein (as amended, supplemented, amended and restated, or otherwise modified from time to time, and including all exhibits, schedules, and annexes thereto, the “Asset Purchase Agreement”), and attached as Exhibit B to the Portfolio Sale Order was that certain operations transfer agreement, dated as of July 26, 2024, by and among certain Debtor entities and Petersen Acquisitions, LLC (as amended, supplemented, amended and restated, or otherwise modified from time to time, and including all exhibits, schedules, and annexes thereto, the “Operations Transfer Agreement”).

7. Pursuant to the Operations Transfer Agreement, the New Operators were designated as the parties to take over operations of certain of the Debtors’ facilities.

8. Under section 7.3 of the Operations Transfer Agreement, the New Operators and Debtors were required to work together in good faith to execute, deliver, and implement one or more interim management services agreements (the “Interim Management Agreements”) on customary market terms to provide for the operation of the facilities by the New Operators through the closing date (the “Interim Management Period”).

9. The Debtors filed the forms of the Interim Management Agreements with the Court on November 1, 2024. *See* Docket No. 971.

10. The closing of the transactions approved by the Portfolio Sale Order occurred on December 5, 2024. *See* Docket No. 1072.

11. The Portfolio Sale Order generally provides that the sale and transfer of the Debtors’ assets and operations of the facilities were “free and clear” of any claims, encumbrances, or interests against the Debtors or their assets. *See* Portfolio Sale Order ¶¶ 5, 6, 10, 11.

12. The Portfolio Sale Order further recognizes that it shall not be modified by the terms of any subsequent orders, including upon plan confirmation or conversion. *See* Portfolio Sale Order ¶ 32.

B. *New Operators' Accounts Receivable*

13. Under the Operations Transfer Agreement, the relevant Debtors agreed the New Operators could use the Debtors' Medicare and Medicaid provider agreements and related billing numbers to bill governmental payors for services provided by the New Operators at the facilities and the Debtors would "remit any amounts received with respect thereto to New Operator[s] within fifteen (15) Business Days of receipt." *See* Operations Transfer Agreement § 4.2.

14. The Debtors also agreed that if they received the New Operators' accounts receivable, they would "hold the payment[s] in trust . . . have no right, title, or interest whatsoever in the payment[s] and shall remit the same to [New Operators] within five (5) Business Days of receipt thereof."² *See* Operations Transfer Agreement § 6.6. The parties further agreed "neither party have any right of offset with respect to such accounts receivable" *See id.*

15. Similar to the Operations Transfer Agreement, the Interim Management Agreements provide that the Debtors will hold any of the New Operators' accounts receivable for services during the Interim Management Period in trust and remit them to the New Operators. *See* Interim Management Agreements § 3.

16. The Debtors have failed to comply with the Asset Purchase Agreement, Operations Transfer Agreement, and Interim Management Agreements and have failed turn over all the New Operators' accounts receivable.

² As discussed further herein, the Debtors have failed to comply with either the fifteen (15) or five (5) day turnover deadline for the New Operators' accounts receivable.

17. The New Operators have been in regular communication with the Debtors and their counsel regarding the status of the accounts receivable that are held in trust for the New Operators. As summarized in Exhibit A, as of May 1, 2025, the Debtors are holding at least \$1,882,390.88 of the New Operators' accounts receivable and have failed and refused to turn over such funds to the New Operators.

18. The Debtors are continuing to receive the New Operators' accounts receivable and the balance held in trust to be turned over to the New Operators continues to increase.

19. On information and belief, the Debtors are holding the trust funds in segregated accounts. The New Operators have provided the Debtors accounting to evidence the amounts held in trust that should be turned over immediately.

20. The New Operators need their accounts receivable in order to continue to operate the facilities and provide services to the residents.

21. Among other things, the Debtors have refused to turn over certain of the accounts receivable because the Debtors contend the New Operators owe the Debtors money for expenses incurred during the interim management period. As summarized in Exhibit A, the alleged amounts due and owing to the Debtors are significantly less than the accounts receivable held in trust that must be turned over to the New Operators.³ And as the parties agreed, the Debtors have no right to offset with respect to the New Operators' accounts receivable. *See* Operations Transfer Agreement § 6.6.

22. The New Operators have discussed these matters with the Debtors and their counsel and believe the parties have an agreement on the balances owing to the Debtors. The New

³ New Operators reserve all rights with respect to the amounts allegedly owing to the Debtors, and the summary in Exhibit A is not intended to be an admission or acceptance of any balance allegedly owing.

Operators are prepared to pay these amounts but must insist upon turnover of their accounts receivable that are held in trust prior to making any payments to the Debtors.

23. The Debtors have suggested in the Motion to Convert that the few hundred thousand dollars allegedly owing by the New Operators is one of the causes for the Debtors potential administrative insolvency. *See* Motion to Convert ¶ 15. The New Operators dispute these allegations. The New Operators have engaged in good faith discussions to reconcile and resolve the amounts due and owing among the parties. Nonetheless, on information and belief, the Debtors' potential administrative insolvency resulted from inaccurate budgeting and forecasting and other factors that have nothing to do with the New Operators.

C. The Closing Escrow Account for Debtors' CMP Amounts

24. Pursuant to Section 3.04(d) of the Asset Purchase Agreement, the Debtors were required to pay all civil monetary penalties and any other governmental fines or penalties assessed against any Debtor relating to the period prior to the closing (collectively, "CMP Amounts").

25. Accordingly, as part of the closing, the relevant Debtors and Petersen Acquisition, LLC entered into a side letter that established an escrow account to ensure satisfaction of any CMP Amounts (the "Side Letter"). A true and correct copy of the Side Letter is attached hereto as Exhibit B.

26. Pursuant to the Side Letter, the Debtors (i) agreed to disbursement of approximately \$9.5 million to pay confirmed CMP Amounts, and (ii) deposited approximately \$3 million in a separate escrow account (the "CMP Account") to be used for payment of "CMP Amounts not yet finalized or yet known at the time of Closing" and such CMP Account was "for the sole purpose of satisfying all CMP Amounts assessed against" the relevant Debtors. *See* Exhibit B at ¶ 1.

27. The CMP Account was necessary to ensure that the government does not withhold payments to the New Operators because of the Debtors' liabilities for CMP Amounts.

28. Prior to filing the Motion to Convert, the Debtors' representatives requested that (i) the New Operators and Petersen Acquisitions, LLC consent to a release of the escrowed funds to the Debtors and (ii) instead of having the escrowed funds for satisfaction of the Debtors' CMP Amounts, as provided under the Side Letter, the Debtors would agree to repay their CMP Amounts with the Debtors' unpaid accounts receivable.

29. On information and belief, the Debtors made the request for a release of funds from the CMP Account because they did not properly budget or forecast their cashflow and administrative expenses and needed additional cash for confirmation of their plan. The result of this proposal would have effectively shifted the risk of the Debtors' CMP Amounts to the New Operators and nullify the protections afforded the New Operators with respect to the Debtors' CMP Amounts that the Debtors agreed to satisfy as part of the Portfolio Sale Order and for which the escrow was created pursuant to the Side Letter.

30. On information and belief, there is currently over \$1 million of determined CMP Amounts owing by the Debtors to be satisfied from the CMP Account, and there is still ongoing governmental review and audit that may result in additional CMP Amounts owing by the Debtors. Accordingly, the New Operators will not consent to a release of the CMP Account until all CMP Amounts are known and satisfied.

31. Lastly, contrary to the assertions in the Motion to Convert, the Debtors do not have an unfettered right to all funds in the CMP Account until all CMP Amounts are paid. *See* Motion to Convert ¶ 14. As recognized in the Side Letter, the Debtors "have no right, title, or interest,

whether legal or equitable, in [the CMP Account] and such funds shall not constitute property of [the Debtors'] bankruptcy estate within the meaning of 11 U.S.C. § 541.” See Side Letter ¶ 3.

RESPONSE

A. *The Plan and Confirmation Order Must Preserve the New Operators’ Rights*

32. As the Court previously ordered, the Plan cannot “alter, conflict with, or derogate from” the provisions of the Portfolio Sale Order and the related Asset Purchase Agreement and Operations Transfer Agreement. See Portfolio Sale Order ¶ 32.

33. The New Operators’ accounts receivable and the funds on deposit in the CMP Account are trust funds and not property of the Debtors or their bankruptcy estates. See 11 U.S.C. § 541(d); see also *Begier v. I.R.S.*, 496 U.S. 53, 59 (1990) (“Because the debtor does not own an equitable interest in property he holds in trust for another, that interest is not ‘property of the estate.’”); *Pearlman v. Reliance Ins. Co.*, 371 U.S. 132, 135–36 (1962) (“[Bankruptcy law] simply does not authorize a trustee to distribute other people’s property among a bankrupt’s creditors.”); *City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 95 (3d Cir. 1994) (noting the “well-settled principle” that funds held in trust for another are not “property of the estate” within the meaning of § 541) (citation omitted); *Universal Bonding Ins. Co. v. Gittens & Sprinkle Enters.*, 960 F.2d 366, 371–72 (3d Cir.1992) (highlighting limitations to § 541 and the use of trust funds).

34. To ensure the New Operators have the full benefit of the Portfolio Sale Order, all related transaction documents, and the trust in favor of the New Operators for their accounts receivable, the Confirmation Order should condition the Plan’s effective date on (i) distribution to the New Operators of all their respective accounts receivable held in trust by the Debtors, as set forth in Exhibit A, (ii) a continued trust in favor of the respective New Operators and immediate turnover of any future accounts receivable of the New Operators deposited with the Debtors or any

successor to the Debtors or their bankruptcy estates, and (iii) maintaining the CMP Account until all the Debtors' CMP Amounts are known and satisfied.

35. To the extent the Debtors do not have possession of the New Operators' trust funds for immediate turnover, the New Operators reserve all rights and remedies on account of the same, and should be authorized to file administrative expense claims for any amounts due and owing, including claims for the Debtors' failure to transfer trust funds or satisfy amounts assumed by the Debtors as part of the sale process and related agreements, including CMP Amounts. *See, e.g., In re Philadelphia Newspapers, LLC*, 690 F.3d 161, 173 (3d Cir. 2012), as corrected (Oct. 25, 2012) (noting fairness may call for the allowance of post-petition claims as administrative expenses if those claims arise from actions related to the preservation of a debtor's estate despite having no discernable benefit to the estate) (citing *Reading Co. v. Brown*, 391 U.S. 471 (1968)).

36. Any deadline for submitting such administrative expense claims should be extended to give the Debtors and the New Operators an opportunity to reconcile the accounts receivable, ensure the proper transfer of funds to the New Operators, finalize the governmental billing authorizations for the New Operators to ensure no further accounts receivable will be deposited with the Debtors, and complete any audits or other review of CMP Amounts owing by the Debtors.

37. Similarly, the Confirmation Order should expressly preserve the New Operators' and their affiliates' respective rights of setoff and recoupment against the Debtors and any successors to the Debtors, including without limitation the Liquidating Trust and Liquidating Trustee.

38. The New Operators object to any release, injunction, exculpation, or similar provisions in the Plan that may impair the New Operators' claims against any non-debtor third

parties. Without limitation, the Confirmation Order should explicitly reserve all the New Operators' claims against third parties, including the Debtors' agents, officers, professionals, attorneys, accountants, or any other parties that may have transferred, received, or otherwise dissipated the New Operators' respective trust funds or any funds from the CMP Account.

B. *The Court Should Condition Conversion*

39. In the alternative, should the Court deny confirmation of the Plan and consider the Motion to Convert, the New Operators are entitled to an order protecting their interests as discussed above.

40. The Debtors' rights to convert their cases to chapter 7 are not absolute. *See In re Adler*, 329 B.R. 406, 408 (Bankr. S.D.N.Y. 2005) (“[T]he statutory language [of § 1112(a)] clearly states that a debtor ‘may’ convert his case, but does not state that the Court ‘shall’ honor his request.”) (citation omitted).

41. Consistent with the New Operators' requests for conditions to the effective date of the Plan, and to preserve the Portfolio Sale Order and the rights of the New Operators thereunder, the Court should condition the Debtors' conversion to chapter 7 on (i) distribution to the New Operators of all their respective accounts receivable held in trust by the Debtors, as set forth in Exhibit A, (ii) a continued trust in favor of the respective New Operators and immediate turnover of any future accounts receivable of the New Operators deposited with the Debtors or any successor to the Debtors or their bankruptcy estates, and (iii) maintaining the CMP Account until all the Debtors' CMP Amounts are known and satisfied.

RESERVATION OF RIGHTS

42. The New Operators will continue to work with the Debtors to resolve the issues raised in this Response, which is filed out of an abundance of caution and to preserve all rights.

The New Operators reserve the right to raise further objections at the hearing on the Plan or Motion to Convert, and join in any other objections consistent with those raised herein.

43. The New Operators do not release or waive any claim, right, or remedy arising under their agreements, the Bankruptcy Code, or other applicable law.

Dated: June 3, 2025

MORRIS JAMES LLP

/s/ Jason S. Levin

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Counsel to the New Operators

EXHIBIT A

<u>Parent Affiliate of</u>							<u>Amount Allegedly</u>	
<u>New Operator</u>	<u>Asset</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Debtor Operator</u>	<u>New Operators</u>	<u>Owed by Petersen</u> <u>Owed to Petersen</u>
Arcadia	Aledo Rehab & Health Care Center	304 S.W. 12th Street	Aledo	IL	61231	Aledo Hco, LLC	Arcadia Care Aledo, LLC	
Arcadia	Aspen Rehab & Health Care	1403 9th Avenue	Silvis	IL	61282	Aspen HCO, LLC	Avenues at Quad Cities, LLC	\$ 7,794.00
Arcadia	Courtyard Estates of Piper City	580 S Maple Street	Piper City	IL	60959	Piper City Hco, LLC	Villas at Piper City, LLC	
Arcadia	Havana Health Care Center	609 North Harpham Street	Havana	IL	62644	Havana Hco LLC	Arcadia Care Havana, LLC	\$ 22,890.77
Arcadia	Kewanee Care Home	144 Junior Avenue	Kewanee	IL	61443	Kewanee Hco, LLC	Arcadia Care Kewanee, LLC	\$ 12,169.68
Arcadia	Riverview Estates	200 North Schrader	Havana	IL	62644	Petersen Healthcare, Inc.	IL of Havana, LLC	
Arcadia	Royal Oaks Care Center	605 East Church Street	Kewanee	IL	61443	Royal Hco, LLC	Avenues at Royal Oak, LLC	\$ 2,524.40
Arcadia	Toulon Rehab & Health Care Center	Highway 17 East	Toulon	IL	61483	Petersen Management Company, LLC	Arcadia Care Toulon, LLC	\$ 3,440.77
Arcadia	Watseka Rehab & Health Care Center	715 East Raymond Road	Watseka	IL	60970	Watseka Hco, LLC	Arcadia Care Watseka, LLC	\$ 13,923.85 \$ 48,310.62
Arcadia	Piper City Rehab & Living Center	600 Maple Street	Piper City	IL	60959	Piper Hco, LLC	Arcadia Care Piper City, LLC	\$ 1,857.04
Arcadia	Courtyard Estates of Bushnell	1201 N Cole Street	Bushnell	IL	61422	CYE Bradford Hco, LLC	Villas at Bushnell LLC	
Arcadia	Courtyard Estates of Herscher	100 Harvest View Ln	Herscher	IL	60941	Petersen Health Systems, Inc.	Villas at Herscher, LLC	
Arcadia	Courtyard Estates of Galva	1000 Courtyard Est	Galva	IL	61434	Petersen Health Systems, Inc.	Villas at Galva, LLC	\$ 30,870.96
Arcadia	Courtyard Village of Kewanee	860 Sunset Dr	Kewanee	IL	61443	Village Kewanee Hco, LLC	Villas at Kewanee, LLC	
Arcadia	Betty's Garden Memory Care of Kewanee	141 Acorn St	Kewanee	IL	61443	Betty's Garden Hco, LLC	Gardens at Kewanee, LLC	
Arcadia	Courtyard Estates of Green Valley	13561 Townline Rd	Green Valley	IL	61534	Petersen Health Systems, Inc.	Villas at Green Valley, LLC	
Arcadia	Courtyard Estates of Bradford	100 Courtyard Blvd	Bradford	IL	61421	CYE Bradford Hco, LLC	Villas at Bradford, LLC	
Goldwater	Cornerstone Rehab & Health Care Center	5533 North Galena Road	Peoria Heights	IL	61614	Midwest Health Operations LLC	Goldwater Care Peoria Heights, LLC	\$ 13,367.41
Goldwater	Roseville Rehab & Health Care	145 S Chamberlain St, Box 770	Roseville	IL	61473	Petersen Health Care Roseville LLC	Goldwater Care Roseville, LLC	\$ 46,467.94 \$ 7,423.75
Axiom	Flora Gardens Care Center	701 Shadwell Avenue	Flora	IL	62839	Petersen Health Network, LLC	Axiom Gardens of Flora, LLC	\$ 26,157.50
Axiom	Flora Rehab & Health Care Center	232 Given Street	Flora	IL	62839	Petersen Management Company, LLC	Axiom Healthcare of Flora, LLC	\$ 12,686.44
Axiom	Mt. Vernon Health Care Center	#5 Doctors Park	Mount Vernon	IL	62864	Petersen Management Company, LLC	Axiom Healthcare of Mt. Vernon, LLC	\$ 146,318.40
Axiom	Rosiclare Rehab & Health Care Center	55 Ferrell Road	Rosiclare	IL	62982	Rosiclare Hco, LLC	Axiom Healthcare of Rosiclare, LLC	\$ 905.00
Axiom	Shawnee Rose Care Center	1000 West Sloan Street	Harrisburg	IL	62946	Petersen Health Care VII LLC	Axiom Healthcare of Harrisburg, LLC	\$ 64,419.08 \$ 34,842.14
Axiom	Westside Rehab & Health Care Center	601 North Columbia	West Frankfort	IL	62896	Westside Hco, LLC	Axiom Healthcare of West Frankfort, LLC	\$ 8,557.76
Axiom	White Oak Rehab & Health Care Center	1700 White Street	Mount Vernon	IL	62864	Petersen Management Company, LLC	Axiom Gardens of Mt. Vernon, LLC	\$ 1,271.06
Axiom	Jonesboro Rehab & Health Care Center	995 State Rt 127	Jonesboro	IL	62952	Petersen Health Properties LLC	Axiom Healthcare of Jonesboro, LLC	\$ 1,576.36
Axiom	McLeansboro Rehab & Health Care Center	405 West Carpenter	McLeansboro	IL	62859	McLeansboro Hco, LLC	Axiom Healthcare of McLeansboro, LLC	
Evercare	Robings Manor Rehab & Health Care Center	502 North Main	Brighton	IL	62012	Robings Hco, LLC	Robings Rehabilitation Center LLC	
Evercare	Collinsville Rehab & Health Care Center	614 North Summit	Collinsville	IL	62234	Collinsville Hco, LLC	Evercare of Collinsville LLC	\$ 129,547.35
Evercare	Willow Rose Rehab & Health Care Center	410 Fletcher	Jerseyville	IL	62052	Petersen Health Network, LLC	Evercare of Jerseyville LLC	\$ 122,205.82 \$ 30,800.12
Evercare	Lebanon Care Center	1201 North Alton	Lebanon	IL	62254	Lebanon Hco, LLC	Evercare at Lebanon LLC	\$ 199,397.23
Evercare	Swansea Rehab & Health Care Center	1405 North Second Street	Swansea	IL	62226	Swansea Hco, LLC	Evercare of Swansea LLC	\$ 176,727.09
Haven Healthcare	Arcola Health Care	422 East Fourth Street	Arcola	IL	61910	Arcola Hco, LLC	The Haven of Arcola LLC	\$ 22,865.89
Haven Healthcare	Farmer City Rehab & Health Care	404 Brookview Drive	Farmer City	IL	61842	Petersen Health Care-Farmer City LLC	The Haven of Farmer City LLC	\$ 67,837.08
Haven Healthcare	Illini Heritage Rehab & Health Care	1315 Curt Drive, Suite B	Champaign	IL	61821	Petersen Health Care- Illini, LLC	The Haven of Meadowbrook LLC	\$ 224,690.36 \$ 149,739.70
Haven Healthcare	Tuscola Health Center	1203 Egyptian Trail	Tuscola	IL	61953	Tuscola Hco, LLC	The Haven of Tuscola LLC	\$ 6,124.63
Haven Healthcare	Bement Health Care Center	601 North Morgan	Bement	IL	61813	Bement Hco, LLC	The Haven of Bement LLC	\$ 34,586.46
Haven Healthcare	Decatur Rehabilitation & Health Care Center	136 S Dipper Ln	Decatur	IL	62522	Decatur Hco, LLC	Decatur Healthcare Consulting LLC	
Lincoln	Effingham Rehab & Health Care Center	1610 North Lakewood Drive	Effingham	IL	62401	Effingham Hco LLC	Effingham Healthcare & Senior Living LLC	\$ 57,734.39
Lincoln	Palm Terrace of Mattoon	1000 Palm	Mattoon	IL	61938	Petersen Management Company, LLC	Palm Garden of Mattoon, LLC	\$ 66,967.65
Lincoln	Nokomis Rehab & Health Care Center	505 Stevens Street	Nokomis	IL	62075	Petersen Health Network, LLC	Nokomis Healthcare & Senior Living LLC	\$ 6,983.85
Lincoln	Prairie Rose Health Care Center	900 South Chestnut	Pana	IL	62557	SJL Health Systems, Inc.	Rose Garden of Pana, LLC	\$ 100,431.97
Lincoln	Shelbyville Rehab & Health Care Center	2116 South 3rd Dacey Drive	Shelbyville	IL	62565	Shelbyville Hco, LLC	Shelbyville Healthcare & Senior Living LLC	\$ 21,043.82 \$ 6,097.62
Lincoln	Eastview Terrace	100 Eastview Place	Sullivan	IL	61951	Eastview Hco, LLC	Eastview Healthcare & Senior Living LLC	\$ 74,073.77
Lincoln	Sullivan Rehab & Health Care Center	11 Hawthorne Lane	Sullivan	IL	61951	Sullivan Hco, LLC	Sullivan Healthcare & Senior Living LLC	\$ 63,680.94
Lincoln	Vandalia Rehab & Health Care Center	1500 West St Louis Avenue	Vandalia	IL	62471	Vandalia Hco, LLC	Vandalia Healthcare & Senior Living LLC	\$ 90,294.16
TOTAL								\$ 1,882,390.88 \$ 277,213.95

EXHIBIT B



"Caring with a Hometown Touch"

December 5, 2024

VIA E-MAIL

Petersen Acquisitions, LLC
c/o Polsinelli PC
1201 West Peachtree Street, Suite 1100
Atlanta, GA 30309
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Polsinelli PC
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Atlanta, GA 30309
Attn: David Gordon
Email: dgordon@polsinelli.com

Re: Asset Purchase Agreement, dated as of June 26, 2024, by and among the entities set forth on Exhibit A-1 thereto (as Old Operator), the entities set forth on Exhibit A-2 thereto (as Land Seller), the entity set forth on the signature page thereto under the heading "Initial Buyer" (as Initial Buyer), the entities set forth on Exhibit B-1 thereto (as New Operator) and the entities set forth on Exhibit B-2 thereto (as Land Buyer) (the "Purchase Agreement")

Dear Messrs. Gordon and Rokach:

Reference is hereby made to the above referenced Purchase Agreement. Capitalized terms used but not defined herein shall have the meanings given to them in the Purchase Agreement.

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Notwithstanding anything to the contrary set forth in the Purchase Agreement, Buyer and Seller hereby agree as follows:

1. Seller shall be and remain solely responsible for the payment or other satisfaction of all civil monetary penalties (“CMP”) and any other governmental fines or penalties assessed against any Seller relating to the period prior to the Closing (collectively, “CMP Amounts”). Upon the Closing, from the sale proceeds otherwise due to Seller at Closing, (1) Seller shall disburse to CMS the sum of \$9,548,833.98 (the “Closing Payment”) to pay amounts confirmed as due and owing with respect to CMP Amounts; and (2) Madison Title Agency, LLC (“Madison”) shall hold-back from the sale proceeds and deposit into a separate escrow account an amount equal to \$3,044,653 (the “CMP Account”), to be used for payment at Seller’s direction of CMP Amounts not covered by the Closing Payment including without limitation with respect to CMP Amounts not yet finalized or not yet know at the time of Closing. Seller shall have the right to direct Madison to disburse funds from time to time from the CMP Account for the sole purpose of satisfying all CMP Amounts assessed against any Seller, such CMP Amounts to be satisfied by Seller within one hundred eighty (180) days of the Closing (the “Survival Period”). Following the Survival Period, and written confirmation by Buyer (which confirmation shall not to be unreasonably withheld, conditioned or delayed by Buyer following request by Seller), that all CMP Amounts outstanding as of the conclusion of the Survival Period have been paid by Seller, any amounts remaining in the CMP Account shall be released to Seller (and Buyer agrees to join in a written direction to Madison for the release of such funds to Seller). For avoidance of doubt, “CMP Amounts” shall include fines and penalties assessed with respect to periods prior to the Closing, whether such assessment occurs either prior to or following the Closing, and shall also include ongoing accrual of any such fines and penalties during periods following the Closing. In addition in connection with the foregoing, Seller agrees not to contest any CMP for which a thirty five percent (35%) discount was utilized in calculations provided by CMS prior to the Closing.

2. Seller shall be and remain solely responsible for the payment of all bed taxes or any similar fee with respect to the Facilities relating to the period prior to the Closing (which for the avoidance of doubt shall include amounts already due and payable and amounts accrued with respect to periods prior to the Closing but not yet due and payable as calculated with respect to the amounts set forth on Schedule 4.13 of the Purchase Agreement) (collectively “Bed Taxes”). Upon the Closing, Madison shall hold back from sale proceeds otherwise due to Seller and deposit into a separate escrow account an amount equal to \$11,908,400.78 (the “Bed Tax Account”). Seller shall have the right to direct

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Madison to disburse funds from time to time from the Bed Tax Account for the sole purpose of satisfying all Bed Taxes assessed against any Seller, such Bed Taxes to be satisfied by Seller within 10 days of when due, using funds in the Bed Tax Account. In the event any Bed Taxes are paid by Seller with funds other than the Bed Tax Account, then upon written confirmation by Buyer (which confirmation shall not to be unreasonably withheld, conditioned or delayed by Buyer following request by Seller) of satisfaction of such liabilities being satisfied by Seller, an amount corresponding thereto shall be released to Seller from the Bed Tax Account (and Buyer agrees to join in a written direction to Madison for the release of such funds to Seller).

3. The Parties agree that, until such time as the funds deposited into the segregated account are released to Seller in accordance with this Agreement, Seller shall have no right, title, or interest, whether legal or equitable, in such funds and such funds shall not constitute property of Seller’s bankruptcy estate within the meaning of 11 U.S.C. § 541.

Except as expressly provided above, the Purchase Agreement shall remain without change or modification.

[Signature Page Follows]

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F. 309.691.8622

 830 W. Trailcreek Drive
Peoria, Illinois 61614

 info@petersenhealthcare.net
www.petersenhealthcare.net



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If you are in agreement with the foregoing, please countersign this letter and return a fully executed copy to Seller’s attention. You agree that your countersignature on this letter shall bind you and your designees and assignees under the Purchase Agreement.

Sincerely,

SELLER:

OLD OPERATOR:

ALEDO HCO, LLC
ARCOLA HCO, LLC
BEMENT HCO, LLC
BETTY’S GARDEN HCO, LLC
MIDWEST HEALTH OPERATIONS, LLC
PETERSEN HEALTH QUALITY, LLC
CYE GIRARD HCO, LLC
EASTVIEW HCO, LLC
HAVANA HCO, LLC
PETERSEN HEALTH CARE – ILLINI, LLC
KEWANEE HCO, LLC
PIPER CITY HCO, LLC
ROBINGS HCO, LLC
MIDWEST HEALTH OPERATIONS, LLC
TARKIO HCO, LLC
ASPEN HCO, LLC
CASEY HCO, LLC
COLLINSVILLE HCO, LLC
PETERSEN HEALTH PROPERTIES, LLC
CYE BRADFORD HCO, LLC
CYE BUSHNELL HCO, LLC
CYE WALCOTT HCO, LLC
VILLAGE KEWANEE HCO, LLC
DECATUR HCO, LLC
EFFINGHAM HCO, LLC
PETERSEN HEALTH & WELLNESS, LLC

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PETERSEN HEALTH CARE – FARMER CITY, LLC
PETERSEN HEALTH NETWORK, LLC
PETERSEN MANAGEMENT COMPANY, LLC
LEBANON HCO, LLC
MCLEANSBORO HCO, LLC
NORTH AURORA HCO, LLC
PLEASANT VIEW HCO, LLC
PETERSEN HEALTH CARE – ROSEVILLE, LLC
ROSICLARE HCO, LLC
ROYAL HCO, LLC
PETERSEN HEALTH BUSINESS, LLC
PRAIRIE CITY LLC
SHANGRI LA HCO, LLC
SHELBYVILLE HCO, LLC
SULLIVAN HCO, LLC
SWANSEA HCO, LLC
TUSCOLA HCO, LLC
TWIN HCO, LLC
VANDALIA HCO, LLC
WATSEKA HCO, LLC
WESTSIDE HCO, LLC
CHARLESTON HCO, LLC
CYE KEWANEE HCO, LLC
CYE KNOXVILLE HCO, LLC
CYE MONMOUTH HCO, LLC
CUMBERLAND HCO, LLC
EL PASO HCO, LLC
FLANAGAN HCO, LLC
MARIGOLD HCO, LLC
POLO HCO, LLC

each, an Illinois limited liability company

By: David Campbell
Name: David Campbell
Title: Chief Restructuring Officer

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PETERSEN HEALTH SYSTEMS, INC.
PETERSEN HEALTH CARE, INC.
PETERSEN HEALTH CARE II, INC.

each, an Illinois corporation

By: David Campbell
Name: David Campbell
Title: Chief Restructuring Officer

SJL HEALTH SYSTEMS, INC.

a Missouri not for profit corporation

By: David Campbell
Name: David Campbell
Title: Chief Restructuring Officer

LAND SELLER:

ALEDO RE, LLC
ARCOLA RE, LLC
BEMENT RE, LLC
BETTY'S GARDEN RE, LLC
MIDWEST HEALTH PROPERTIES, LLC
CYE GIRARD HCO, LLC
EASTVIEW RE, LLC
HAVANA RE, LLC
KEWANEE, LLC
PIPER RE, LLC
ROBINGS, LLC
PETERSEN HEALTH CARE VIII, LLC
TARKIO RE, LLC
ASPEN RE, LLC
PETERSEN 25, LLC
COLLINSVILLE RE, LLC
MACOMB, LLC
BRADFORD AL RE, LLC

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BUSHNELL AL RE, LLC
WALCOTT AL RE, LLC
CYV KEWANEE AL RE, LLC
DECATUR RE, LLC
EFFINGHAM RE, LLC
PETERSEN HEALTH CARE III, LLC
PETERSEN FARMER CITY, LLC
PETERSEN HEALTH CARE X, LLC
PETERSEN 26, LLC
JONESBORO, LLC
LEBANON RE, LLC
MCLEANSBORO RE, LLC
PETERSEN 29, LLC
PETERSEN HEALTH CARE XIII, LLC
PETERSEN ROSEVILLE, LLC
ROSICLARE RE, LLC
ROYAL RE, LLC
PETERSEN HEALTH CARE XI, LLC
SHANGRI LA RE, LLC
SHELBYVILLE RE, LLC
SOUTH ELGIN, LLC
SULLIVAN RE, LLC
SWANSEA RE, LLC
PETERSEN 27, LLC
TUSCOLA RE, LLC
TWIN RE, LLC
VANDALIA RE, LLC
WATSEKA RE, LLC
PETERSEN 30, LLC
CHARLESTON HCC, LLC
KEWANEE AL, LLC
KNOXVILLE AL, LLC
MONMOUTH AL, LLC
CUMBERLAND HCC, LLC
EL PASO HCC, LLC
FLANAGAN HCC, LLC
MARIGOLD HCC, LLC
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Peoria, Illinois 61614



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www.petersenhealthcare.net



"Caring with a Hometown Touch"

PRAIRIE CITY RE, LLC

each, an Illinois limited liability company

By: David Campbell

Name: David Campbell

Title: Chief Restructuring Officer

PETERSEN HEALTH CARE, INC.
PETERSEN HEALTH SYSTEMS, INC.
PETERSEN HEALTH CARE II, INC.

each, an Illinois corporation

By: David Campbell

Name: David Campbell

Title: Chief Restructuring Officer

SJL HEALTH SYSTEMS, INC.

a Missouri not for profit corporation

By: David Campbell

Name: David Campbell

Title: Chief Restructuring Officer

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**AGREED TO AND ACCEPTED BY THE INITIAL BUYER
THIS ___ DAY OF DECEMBER, 2024**

PETERSEN ACQUISITION, LLC,
a Delaware limited liability company


By: _____
Name:
Title:

**ACKNOWLEDGED AND ACCEPTED
THIS ___ DAY OF DECEMBER, 2024**


MADISON TITLE AGENCY, LLC

By: _____
Name:
Title:

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F. 309.691.8622

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THIS ____ DAY OF DECEMBER, 2024

PETERSEN ACQUISITION, LLC,
a Delaware limited liability company

By: 
Name: _____
Title:

Facilities under the APA have the necessary Permits and Regulatory Approvals, including, but not limited to, change of ownership (“CHOW”) application approvals from the Illinois Department of Public Health (“IDPH”). Initial Buyer confirms that it has been told repeatedly by IDPH that for each of the Facilities listed in the APA located in the State of Illinois IDPH is prepared to issue CHOW application approval upon receipt of executed closing documents, and that licenses from IDPH will be dated for each Facility with an effective licensure date of December 1, 2024.

Seller may rely on this Side Letter and Initial Buyers’ assertions herein as its evidence under Section 7.03(d) of the APA as a condition to close and consummate the transactions contemplated under the APA.

Sincerely,

Petersen Acquisition, LLC,
a Delaware limited liability company

By: 

Name:

Its:



"Caring with a Hometown Touch"

**AGREED TO AND ACCEPTED BY THE INITIAL BUYER
THIS ___ DAY OF DECEMBER, 2024**

PETERSEN ACQUISITION, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

**ACKNOWLEDGED AND ACCEPTED
THIS ___ DAY OF DECEMBER, 2024**


MADISON TITLE AGENCY, LLC

By:  _____
Name:
Title:

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

SC HEALTHCARE HOLDING, LLC *et al.*,

Debtors.¹

Chapter 11

Case No. 24-10443 (TMH)

Jointly Administered

CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of June, 2025, I caused to be filed with the Court electronically, and I caused to be served a true and correct copy of the *New Operators' Response to Debtors' Plan and Motion to Convert* upon the parties that are registered to receive notice via the Court's CM/ECF notification system, and additional service was competed via electronic mail on the parties listed on the attached service list.

Dated: June 3, 2025

/s/ Jason S. Levin

Jason S. Levin (DE Bar No. 6434)

¹ The last four digits of SC Healthcare Holding, LLC's tax identification number are 2584. The mailing address for SC Healthcare Holding, LLC is c/o Petersen Health Care Management, LLC, PO Box 620, Delavan, IL 61734. Due to the large number of Debtors in the Chapter 11 Cases, whose cases are being jointly administered, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information is available on a website of the Debtors' Claims and Noticing Agent at www.kccllc.net/Petersen.

SERVICE LIST

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